SUPREME COURT, U. S.
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MICHAEL RODAK, JR.,

IN THE

Supreme Court of the United States

OCTOBER TERM, 1974

No. 74-447

SAUQUOIT FIBERS COMPANY, INC., *Petitioner,*

v.

LEESONA CORPORATION, THE PERMATWIST COMPANY, WARREN A. SEEM, FREDERICK D. TECCE, NICHOLAS J. STODDARD AND HAROLD P. BERGER, *Respondents.*

OPPOSITION BY RESPONDENTS TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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Preliminary Statement

Granting a writ of certiorari to review an interlocutory reversal of a summary judgment, due to numerous legal and factual errors by the District Court, would be singularly inappropriate in the present context of this complex patent litigation.

Sauquoit's petition, which is not even joined by the many other co-parties participating below, arises out

of a Court of Appeals opinion reversing an order granting summary judgment motions.[1] The unanimous Court of Appeals reversal was necessitated by the existence of disputed factual questions. Indeed, the very legal issues which Sauquoit would have this Court review assume facts which remain in dispute until their resolution in post-remand trial proceedings. Furthermore, as to the main issue on which Sauquoit seeks plenary review, which ignores the other grounds supporting the Court of Appeals decision, it does not appear that any real conflict exists within the federal court system.

Finally, in the interim context of this litigation, Sauquoit's issues are largely academic, since Leesona's expired patents have also been held unenforceable by the District Court in another summary judgment now pending on appeal, and since the Court of Appeals' reversal of the instant summary judgment could be sustained on other grounds, namely that the patents in question were not "on sale" or in "public use" prior to the critical date.

STATEMENT OF THE CASE

Sauquoit's petition seeks review of the unanimous decision by the Court of Appeals reversing an order by the United States District Court for the Southern District of Florida which granted motions for summary judgment holding Leesona's false twist patents, which have since expired, invalid under 35 U.S.C. § 102(b).

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[1] Twenty-five of Leesona's throwster-licensees joined in summary judgment motions filed in the District Court. Of these twenty-five parties, only Sauquoit has filed a petition for certiorari.

On a motion for summary judgment, a court must resolve all ambiguities and draw all reasonable inferences favorable to the party against whom summary judgment is sought. *E.g., United States v. Diebold, Inc.,* 369 U.S. 654 (1962). Since the statement of the case set forth in Sauquoit's petition does not set forth the facts in a manner consistent with this requirement, we deem it necessary to set forth our own statement of the case.

The present case is a part of *In re Yarn Processing Patent Validity Litigation,* MDL Docket No. 82, a consolidated proceeding in the United States District Court for the Southern District of Florida.

> "The principal issue in this consolidated litigation is the validity of U.S. Patents numbered 2,803,105, 2,803,108 and 2,803,109, collectively called the 'false twist' or 'single heater' patents, which are presently owned by Leesona. The patents disclose both an apparatus and an efficient, economical means of texturizing synthetic thermoplastic yarns. The teachings of the patents laid the technological foundation for the development of double-knit fabrics." *In re Yarn Processing Patent Validity Litigation,* 498 F.2d 271, 273-74 (5th Cir. 1974). (App. A-1.) [2]

Twenty-five of Leesona's licensees moved for partial summary judgment of patent invalidity under 35 U.S.C. § 102(b) on the theory that activity by the prior owner of the patent applications, Permatwist, [3] with Graustein and his representatives (Synthetic

[2] References to App. denote the appendix to Sauquoit's petition for writ of certiorari.

[3] Permatwist is a partnership consisting of Warren A. Seem, Frederick D. Tecce, Nicholas J. Stoddard and Harold P. Berger.

Yarns and Synfoam) [4] in 1952 constituted "on sale" and "public use" conduct prior to the critical date of January 4, 1953. (R. 8-59, 1301-47.)

In opposition, Leesona urged, *inter alia,* that the December 15, 1952 agreement between Graustein's Synfoam Co. and the Permatwist partners was not a "sale" of the invention, but rather showed the formation of a partnership to obtain financial assistance and a field location for experimentation and testing of the false twist inventions, and that, in any event, there was no "sale" or "public use" of the inventions because they were in the experimental stage during 1952. (R. 1373-1467.)

In its reply memorandum, petitioner Sauquoit argued that the "doctrine of collateral estoppel" precluded Leesona from asserting the experimental use exception. (R. 1842.) In this earlier Canadian litigation, the Canadian Court had upheld the validity of the Canadian counterparts of the patents at suit and had found a "date of invention" as early as 1947. (R. 2056-60.)

The District Court concluded that "[t]he application of the collateral estoppel bar is appropriate . . ." since "[t]he determination by the Canadian Court concerning the date of invention and the date of reduction to practice was necessary for that judgment." (App. A. 43-44.) As a result, the District Court concluded that it could not "give Leesona's argument of experimental use any credence." (App. A-42.) Acting under the erroneous assumption that "the sales effort is

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[4] The terms "Synthetic Yarns" and "Synfoam" denote either or both of the related companies Synthetic Yarns, Inc., and Synfoam Yarns, Inc.

conceded" (App. A-54) and that there was "an admitted sale" (App. A-45), the District Court held that the inventions were on sale and in public use and that the experimental exception did not apply. *See* App. A. 44-59.

On appeal, the Court of Appeals unanimously reversed the District Court's grant of summary judgment.

With regard to collateral estoppel, the Court of Appeals found that the Canadian case involved a "wholly different issue" and that the application of the doctrine of collateral estoppel was hence inappropriate. *In re Yarn Processing Patent Validity Litigation,* 498 F.2d 271, 279 (5th Cir. 1974). (App. A-12.)

The Court of Appeals did not reach the question whether the inventions had been on sale or in public use but did conclude that the experimental exception precluded the application of the 35 U.S.C. § 102(b) bar:

> "There is considerable direct deposition and Canadian trial testimony, both from the Permatwist partners and from others, indicating that experiments were performed on the Synfoam machines, that reports were made to the Permatwist partners on the result, and that changes in the machines actually resulted from this experimentation. All of this might provide sufficient basis for a reasonable belief that the experimental period lasted past the critical date." *In re Yarn Processing Patent Validity Litigation,* 498 F.2d 271, 287 (5th Cir. 1974) (footnote omitted). (App. A-28.)

The Court of Appeals also held that the District Court misconstrued Canadian patent law, improperly

weighed the factual evidence and disparaged the credibility of witnesses, denied Leesona the benefit of favorable factual inferences, and misapplied the local procedural rules as to the requisite specificity of controverting material facts on summary judgment motions. (App. A. 27-30.)

Accordingly, the Court of Appeals reversed the District Court order and remanded the case for further proceedings not inconsistent with the Fifth Circuit opinion. (App. A-30.)

Subsequently to and independent of the District Court's grant of a summary judgment holding Leesona's false twist patents invalid, but prior to the reversal by the Fifth Circuit Court of Appeals, the District Court granted other summary judgment motions and held that Leesona's now expired patents are unenforceable. The final orders arising out of the latest summary judgment dispositions are presently pending on appeal.

Factual Background

(1) "The applications for these patents culminated many years of work on the part of the inventors, Nicholas J. Stoddard and Warren A. Seem. The men had extensive experience in the throwing industry, which is the business of processing [yarns] consisting of continuous filament fibers. They conducted their first joint experiments in the mid-1930's, when Stoddard was working under Seem at the Georgetown Silk Company. They were separated in 1938 by Stoddard's promotion and transfer to another plant, although they continued to communicate. They were reunited in Philadelphia in 1944, where they resumed their experiments and formed a loose partnership

> between themselves as inventors and two others who acted as financiers, Fred Tecce and Harold Berger. [This] loose arrangement was later formalized as The Permatwist Company, a partnership registered to do business in Pennsylvania." *In re Yarn Processing Patent Validity Litigation,* 498 F.2d 271, 274 (5th Cir. 1974). (App. A-2.)

(2) The intended purpose of the work by Seem and Stoddard was to produce uniform yarn by a continuous process of quality comparable to yarn produced by the step-by-step process. (R. 1646.)

(3) The Stoddard-Seem "false twist" inventions are inherently complex, involving the "correlation of tension and temperature as a step in the process of producing a permanently crimped thermoplastic yarn . . . ." (R. 2090; *see* R. 267-301.)

(4) The key elements of the false twist apparatus are the *heating device,* which is controlled by *complex electrical equipment* (including an automatic induction voltage regulator), the *tensioning means,* and the *false twist spindle.* (*See* R. 267-79.)

> (5) "With the financial support of Tecce and Berger, the inventors were able to construct and operate two successive bench models in 1944 and 1947. Experimentation with the latter model continued for several years. Then in 1950 Berger and Tecce purchased a throwing mill called Marionette Mills in South Coat[e]sville, Pennsylvania, and the inventors moved their equipment from their basements to an enclosed space in the Marionette Mills plant. Seem and Stoddard then borrowed a 40-spindle demonstration model Fletcher uptwister, moved it to the plant, and converted ten of the spindle positions to single

heater false twisters, completing the conversion in July, 1950. They experimented with this model until November, 1950, when they restored it to its original condition and returned it to its owner. *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 274 (5th Cir. 1974). (App. A-2.)

(6) In 1950, the Permatwist partners concluded that Stoddard should leave his job with RCA and work full-time on false twist development, that a basement should be dug under Tecce and Berger's throwing plant, and that *eight false twist machines* should be constructed in that area. (R. 65.)

(7) The "normal development procedure" for false twist equipment "would be to build one or two spindles to just test out a theory to see whether it would work and then you would make a short machine . . . and see whether going multiple created problems you hadn't hit heretofore and then normal procedure for us [Leesona] would be to build three, a minimum of three 156 spindle machines as test machines in order to measure *uniformity from spindle to spindle and machine to machine* and we might put them as a test unit in three different mills in order to see whether we would get uniformity." (R. 2026 (emphasis added).) ". . .[Y]ou can't determine from one or ten or twenty spindles whether you have uniformity or not and long before a machine went truly commercial with no reservations, *you had to take yarn off of hundreds of spindles to know that you were getting uniform yarn from spindle to spindle.*" (R. 2024-25 (emphasis added).) [5] The false twist machinery was not "tried

[5] To test uniformity of yarn, Stoddard and Seem would knit a sample sleeve and then evaluate it for stretch, evenness, opacity, torque and dye affinity. (R. 2386-94.)

and proven" until tests of the machinery "had been completed from spindle to spindle, from machine to machine, from plant to plant" to prove "[m]echanical reliability and production of acceptable processed yarn." (R. 1217-18 (emphasis added).)

(8) Because of the limited availability of nylon yarn in 1950, the Permatwist partners decided to convert a single, production-sized Atwood 220-spindle machine to "try to experiment with the thing, run it." (R. 1728; *see* R. 126-30, 1500-03, 1725-28.) The construction of the first 220-spindle machine "was started in early 1951 and continued throughout the year and was finally completed the very early part of the following year." (R. 72.) The first 220-spindle machine "was pretty much a homemade affair." "The heating elements came in disassembled as tubing with resistance wire wound around it." "The tension was—thinking back, that looked home made." (R. 1518-21.)

(9) According to Jones, who in 1952 was an employee of Permatwist and who is presently employed by petitioner Sauquoit, "[s]ome of the daily results [with the first 220-spindle machine] were *not as encouraging as we had hoped* or as we had believed with initial trials in knitting. This is *not unusual when you step up from a sample machine to a machine in production size.*" Jones attributed the "problems" "to heat variation in the heater" since at that time "the heater had no means of automatic temperature control." (R. 1522-23 (emphasis added).)

(10) During the conversion of the first 220-spindle machine, the inventors concluded that "it would be beneficial to install a pilot plant operation in a typical

throwing plant, remote from our location." (R. 1679-81.) [6]

(11) Berger and Tecce, who had been financing the false twist development since 1944, were reluctant "to make any further monetary expenditures without more definite proof of reliability of the equipment." (R. 1682.)

(12) At the time that the Permatwist partners were seeking to obtain additional financial assistance and to establish a pilot plant, Mr. Steedman of Synthetic Yarns, Inc. (a throwing company with which Seem had earlier been affiliated) came into contact with Mr. Seem. Seem told Steedman of the false twist invention and discussed an arrangement whereby Steedman could inspect the machine and report to Mr. Graustein, the owner of Synthetic Yarns. (R. 92-94; *see* R. 1511.)

(13) Berger and Tecce viewed the purpose of the demonstration to Synthetic Yarns representatives to "enlist additional money from an investor to go further in the development of this thing," (R. 921), to induce Graustein "to help with the experiments" (R. 716-20), and to find "a partner to put up some money . . . to help the development of that, to continue the developing." (R. 720-21.)

(14) Shortly after the conversion of the first 220-spindle machine, it was demonstrated to Synthetic Yarn personnel. (R. 1511-12, 716-20, 921, 94-95.)

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[6] The basement at Marionette Mills did not have optimal conditions for testing an installation of false twist machinery. ". . . [T]hat room . . . had a very low ceiling and had a relatively high amount of total equipment crowded into an area or space that maybe should have been a little larger." R. at 1532.

"In order to demonstrate *how the machine would eventually run,* Mr. Seem *used equipment in connection with the heater which had been borrowed* from the Radio Corporation of America. This consisted of an *induction voltage regulator* with a temperature sensitive resistor for insertion in one of the heaters which had the effect of *automatic control of changes in the voltage fed to the heater and necessary compensation for changes in the ambient temperature* as already described in the case of the additional equipment used with Exhibits Z-151." (R. 2053-54 (emphasis added); *see* R. 94-95.)

(15) Permatwist was not ready to sell false twist yarn in 1952 and no yarn produced on the 220-spindle machine or any other false twist machine was sold commercially in 1952 or any other time prior to the critical date. (R. 1608-09, 1494.) In 1952, Heath, the largest British throwster, approached Mr. Seem with regard to the false twist invention, but was told "that when patent applications for their inventions had been filed they would be notified." (R. 2072.)

(16) Seem initially retained patent counsel to work on applications in the spring of 1952, but preparation of the application was deferred because the patent attorney was "awaiting results of some experimental work. . . ." (R. 1775-76; 96.)

(17) During 1952 and 1953 the inventors "continued to do experimental work" with various "combinations of throughput, tension, temperature and twist . . . ." (R. 1608-10.) These "combinations of throughput, tension, temperature and twist" were *not* "used on a commercial basis. . . ." (R. 1608-10; *see also* R. 1494.)

(18) After a series of meetings between Graustein and Permatwist, a joint development agreement was

entered into on December 15, 1952. (R. 928, 1511-12.) Graustein's associate, Miss Ewig, testified that Graustein had been requested "to use our [Synthetic Yarn's] facilities to develop it [the false twist inventions], and Mr. Graustein foresaw many opportunities for our business in developing the process and in joining the Permatwist people in bringing it to a working stage." (R. 1512.)

(19) Under the Permatwist-Synfoam agreement, Synfoam was to provide six uptwister frames for conversion to false twist machines, to pay for the parts for conversion of these six machines and to provide a location for the installation of these machines. Permatwist agreed to provide information, advice and assistance for the proper installation, maintenance, operation, and use of the false twist apparatus and the practice of the invention; Permatwist agreed to use its best efforts to obtain parts for the conversion of the six machines and provide them to Synfoam at cost; Permatwist agreed to use its best efforts to obtain yarn for Synfoam. Permatwist was given the right to buy and remove the machines installed by Synfoam. Synfoam was required to maintain secrecy with regard to the invention. Synfoam was given a one-year exclusive license within the United States—the year to begin after "the successful operation of the first 1,000 of the improved spindles . . ." and the conditional right to a continued exclusive license. In addition, Synfoam was granted a right of first refusal if Permatwist ever decided to sell the invention. Any profit resulting from the future sale of yarn produced on the false twist machines was to be split 50-50. (R. 364-94.)

(20) Mr. Jones testified that "probably late in '52 — the decision was made to convert the other Atwood twisters that we [Permatwist] had. We had eight all together [*sic*]. Coincidental with this [S]ynthetic [Y]arns had decided to install six machines." (R. 1525.)

(21) Parts ordered for the six machines at Synfoam and the eight machines at Marionette Mills included two automatic induction voltage regulators, each of which was designed to regulate *up to ten machines.* (R. 1129-31, 536.) The normal installation of false twist machinery is about 8-10 machines. (*See* R. 677.) "The machines [at Synfoam and Marionette Mills] were all built during 1953 and were completed in that year or very early in 1954 . . ." (R. 2054.)

(22) With regard to the installation of the machines at Marionette Mills, Mr. Smith, a mechanic, has testified:

> "I mean I continually put parts on them, tested them, took them off, modified them, put them back on, took them off again, modified them. That's the job I had." (R. 2382.)

Mr. Hoeg, the mechanic responsible for the conversion of the Synfoam machines, testified that:

> ". . . it was a secret, like more or less, we didn't want anybody to know. We were still experimenting on it, and we didn't want it to get out, so we kept it covered." (R. 2322.)

(23) Stoddard and Seem actively participated in and monitored the installation and testing of the machines at Synfoam. Mr. Hoeg testified that Stoddard may have made as many as 30 trips to the Synfoam

plant to supervise the conversion. (R. 2326-27, 1144-49, 1186-1204.)

(24) The evidence indicates "that experiments were performed on the Synfoam machines, that reports were made to the Permatwist partners on the result, and that changes in the machines actually resulted from this experimentation." *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 287 (5th Cir. 1974). (App. A-28.) Changes were made in the three key elements of the false twist apparatus, the *tension device, the heating device, and the false twist spindles.* (R. 2054-55, 1186-1204, 1526-34.) The record is unclear as to the exact date of these changes. The Canadian court found that "The differences to which I have referred were made in the latter part of 1953." (R. 2055.)

(25) Changes were made in the equipment at Marionette Mills as the result of what Permatwist learned or observed from the samples sent to them from Synfoam. "As a matter of fact when we [Permatwist] were in doubt about making changes the fact that Synfoam were [*sic*] having the same problem would emphasize the necessity of a change. It did help us tremendously in that respect, working together in two separate plants." These changes were "[c]hanges in equipment, adjustments, and yarn processing conditions" (R. 1203-04; *see also* R. 1194-98.)

(26) In June 1953, the law firm of Paul and Paul was retained to prepare patent applications. (R. 112-13.) The applications were filed on January 4, 1954. (R. 267-301.)

(27) Permatwist granted the first commercial license for use of the false twist invention to G.H. Heath and Company of Macclesfield, England, on

March 22, 1954. Heath was required to pay $5,000 to view the false twist machinery, and an additional $10,000 when the license was signed and also to pay production royalties of 60 cents per pound. (R. 1600-07, 859-65.) Similar licenses were granted to United States throwsters, beginning with Clearview Textile Corporation on August 24, 1954. (R. 677.)

REASONS FOR DENYING THE PETITION

1. This Litigation Is Not Ripe for Plenary Review Because the Case Has Been Remanded for Further Trial Proceedings.

As a general rule, this Court will not grant certiorari to review a non-final judgment.

As stated in *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916):

> "As has been many times declared, this is a jurisdiction to be exercised sparingly, and only in cases of peculiar gravity and general importance, or in order to secure decision. . . . And, except in extraordinary cases, the writ is not issued until final decree. . . . *The decree* that was sought to be reviewed by certiorari at complainant's instance *was not a final one, a fact that of itself alone furnished sufficient ground for the denial of the application.* . . ." (citations omitted, emphasis added.)

Specifically, if a case has been remanded by a court of appeals for further proceedings, a writ of certiorari will ordinarily not be granted. Thus, in *Brotherhood of Locomotive Firemen v. Bangor & Aroostook R.R. Co.*, 389 U.S. 327, 328 (1967), this Court denied certiorari, stating:

> "However, because the Court of Appeals remanded the case, it is not yet ripe for review by this Court."

In its present posture, this case is not final. The Court of Appeals has remanded the case to the United States District Court for the Southern District of Florida for further proceedings. Accordingly, the issues presented in the petition may never need to come before this Court.

Alternatively, if these issues should ever be ripe for review by this Court, they will be presented in a concrete form after a final decree and not in the legally abstract and factually disputatious posture presently presented.

2. The Issues in Question May Be Rendered Moot and in the Present Posture of the Litigation Are Academic.

This Court traditionally declines to review legal issues which are abstractly presented and not within the context of meaningful litigation. As the Court stated in *The Monrosa v. Carbon Black Export, Inc.*, 359 U.S. 180, 184 (1959):

> "While this Court decides questions of public importance, it decides them in the context of meaningful litigation. Its function in resolving conflicts among the Courts of Appeals is judicial, not simply administrative or managerial. Resolution here of the extent to which these bill of lading provisions may be given effect by our courts can await a day when the issue is posed less abstractly."

Subsequent to the District Court's summary judgment ruling that the patents in issue are invalid (the reversal of which forms the basis for Sauquoit's petition) the District Court, in another summary judgment proceeding, has held that the now-expired patents in question were misused and are unenforceable.

The latest summary judgment rulings are currently on appeal. However, for the time being, the questions raised by Sauquoit are entirely academic. *Unless* the ruling of unenforceability is reversed, there may be no need for an adjudication of the validity of the instant patents, which expired in August of 1974.

Accordingly, in the procedural context of this litigation, granting a writ of certiorari would be premature.

3. The Issues Presented for Review Assume Facts Which Remain in Dispute.

The questions which Petitioner Sauquoit seeks to present for review assume the existence of facts which have not been established. Thus their "Questions Presented" assume "[1] the inventor himself has demonstrated his invention in commercial production to operate in its intended manner to produce highly satisfactory results and [2] has placed the invention in public use and on sale [3] for purposes of substantial trade and profit." Pet. at 2.

These assumptions are not grounded in undisputed facts, as required in a summary judgment proceeding. Thus, one disputed question of fact was:

> "Whether or not a machine embodying the Stoddard and Seem apparatus and/or utilizing the Stoddard and Seem false twist process was operated in its intended manner in commercial production prior to the critical date." (R. 1466.)

Another disputed question of fact was:

> "Whether the dealings of the Permatwist partners with Archibald Graustein, Synthetic Yarns, and Synfoam Yarns constituted (a) an effort to

> sell the Stoddard and Seem false twist process or (b) an effort to obtain financial and experimental assistance to complete development of the inventions." (R. 1467.)

Still another disputed question of fact was:

> "Whether the first 220-spindle machine converted in the basement of Marionette Mills, Inc., (a) was used as part of a sales program or (b) was used only in connection with continuing experimentation and development of the false twist process." (R. 1466.)

In sum, each of the assumptions underlying Saquoit's "Questions Presented" is disputed. There is a disputed question of fact whether the false twist inventions were operated in their intended manner in commercial production prior to the critical date. There is a disputed question of fact whether the inventions were on sale or in public use prior to the critical date. There is a disputed question of fact whether the inventions were used for trade or profit prior to the critical date.

In light of these pervasive questions of fact, the petition for certiorari must be denied.

4. No Real Conflict Exists with Regard to the Main Technical Patent Law Issue Raised by the Petition.

The petition for a writ of certiorari asserts that a conflict exists between the decision below, the decisions of this Court, and the decisions of the various courts of appeal as to the standard for the applicability of the experimental use exception in § 102(b) of the Patent Code.

The Court of Appeals in its opinion below set forth the following explanation of the applicability of the experimental use exception:

> "Notwithstanding the existence of facts sufficient to raise either of these bars, a patent is valid if the public use or sale was *primarily* for the purpose of experimentation. The Supreme Court's statement of this rule in 1878 is still the law today.
>
> > The use of an invention by the inventor himself, or of any other person under his direction, by way of experiment, and in order to bring the invention to perfection, has never been regarded as [a public] use.
>
> City of Elizabeth v. American Nicholson Pavement Co., 1878, 97 U.S. 126, 134, 24 L.Ed. 1000, 1004. A bona fide experimental use does not place the invention in public use within the meaning of the statute even though the invention on experiment proves complete and requires no modification or change. *Id.* Similarly a sale of the invention *primarily* for experimental purposes, to enable the inventor to determine whether the invention is complete, does not place the invention 'on sale' within the meaning of the statute. Adams v. Columbus Manufacturing Co., M.D. Ga. 1960, 180 F.Supp. 921. If the use of the invention is *primarily* for experimental purposes, the fact that profits are made will not raise any bar to patentability.
>
> > A use by the inventor, for the purpose of testing the machine, in order by experiment to devise additional means for perfecting the success of its operation, is admissible; and where, as incident to such use, the product of its operation is disposed of by sale, such profit from its use does not change its character; but where the use is *mainly* for the purposes of trade and profit, and the experi-

> ment is merely incidental to that, the principle, and not the incident, must give character to its use. *The thing implied as excepted out of the prohibition of the statute is a use which may be properly characterized as substantially for the purposes of experiment.*
>
> Smith & Griggs Manufacturing Co. v. Sprague, 1887, 123 U.S. 249, 256, 8 S.Ct. 122, 126, 31 L.Ed. 141; Pickering v. Holman, 9 Cir. 1972, 459 F.2d 403. Whether a use is primarily for the purpose of experimentation is primarily a matter of the inventor's intent. '[T]he use ceases to be experimental when the motivation of the inventor is to exploit the invention and gain a competitive advantage over others.' Solo Cup Co. v. Paper Machinery Corp., E.D. Wis. 1965, 240 F. Supp. 126, 131, modified on other grounds, 7 Cir. 1966, 359 F.2d 754. *See generally,* 2 Deller's Walker on Patents, §§ 145, 147 (2d ed. 1964)." *In re Yarn Processing Patent Validity Litigation,* 498 F.2d 271, 277-78 (5th Cir. 1974) (emphasis added.) (App. A. 8-10.)

These general standards of patent law applied by the Court of Appeals are completely consistent with the law as established by this Court. Thus, as this Court stated in *Smith & Griggs Mfg. Co. v. Sprague,* 123 U.S. 249, 256 (1887), "where the use is *mainly* for the purposes of trade and profit, and the experiment is merely incidental to that," the experimental exception does not apply; . . . "a use which may be properly characterized as *substantially* for purposes of experiment" comes within the experimental use exception (emphasis added).

Nor is it clear that there is any real conflict between the standards applied by the Fifth Circuit Court of

Appeals and those applied by other circuits. Sauquoit's petition asserts that conflicts exist with the Ninth, Seventh and Sixth Circuits (Pet. at 9). However, an examination of the opinions of those circuits raises serious doubt whether any real conflict exists. In *Pickering v. Holman,* 459 F.2d 403, 406 (9th Cir. 1972) the Ninth Circuit stated that "[a] use which is *primarily experimental* and no more than incidentally for trade and profit is not a public use" (emphasis added). In *Minnesota Mining & Mfg. Co. v. Kent Indus., Inc.,* 409 F.2d 99, 100 (6th Cir. 1969) the Sixth Circuit stated: "A noted exception to this statutory bar is where the prohibited activities are '*substantially* for purposes of experiment' " (emphasis added). In *Amphenol Corp. v. General Time Corp.,* 397 F.2d 431, 437 (7th Cir. 1968) the Seventh Circuit stated: "District Judge Will found ample support for the conclusion that any wish for *experimentation* which may have existed *was secondary to the competitive desire* to satisfy a customer who might otherwise turn to plaintiff's competitors" (emphasis added).

Thus, while one can find loose dicta in various opinions which fail to enunciate correctly the ruling by this Court in *Smith & Griggs Mfg. Co. v. Sprague,* 123 U.S. 249 (1887), it is not apparent that any real conflict exists among the circuits. As the Court below so cogently stated:

> "Some cases have loosely said that the experimental use exception applies only if experimentation was the inventor's *sole* motivation. . . . With deference, we must say that this misstates the law. The Supreme Court has made it clear that the experimental use exception applies, despite the

presence of a profit motive, if experimentation is the inventor's dominant purpose, and this rule has never been directly questioned." *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 288 n.7 (5th Cir. 1974) (citations omitted). (App. A-29.)

Furthermore, secondary authority concur that in applying the experimental use exception the criterion is whether the use is primarily for experimental purposes or mainly for trade and profit.

As stated in Deller's WALKER ON PATENTS:

"Experimental use is an exception to the public use bar. Use of the invention by or under control of the inventor in order to perfect the invention, to determine whether it is complete or requires modification or change, is not the public use defined in the statute. In order to come within this rule the *main purpose* of the use must be to enable the inventor to determine whether the invention is complete or requires modification of change before final adoption." 2 A. DELLER, WALKER ON PATENTS § 145, at 691-92 (2d ed. 1964) (emphasis added and footnotes omitted).

"Where the *main object* of the use is for trade and profit and improvement is only an incidental aim, the use is not experimental in the eye of the law, though some profit is not inconsistent with use being only experimental and absence of profit is not inconsistent with use being not experimental but public." 2 A. DELLER, WALKER ON PATENTS § 145, at 695-96 (2d ed. 1964) (emphasis added and footnotes omitted).

Further, as stated by Nordhaus:

"Even the use of an invention in public, so long as it is *principally and primarily* for experimental

purposes, is not a 'public use' within the meaning of the patent laws. . . . But when the use is *mainly* for the purpose of profit, and experimentation is merely incidental to that purpose, such use is a technical 'public use'." R. NORDHAUS, PATENT, TRADEMARK AND COPYRIGHT INFRINGEMENT § 28, at 59 (1971) (emphasis added, citations omitted).

In sum, this Court, the circuit courts of appeal and secondary authority agree that if a use is primarily for purposes of experiment the experimental exception applies, but that if a use is mainly for the purposes of trade and profit the experimental exception does not apply.

Since no real conflict is presented by the main issues raised in the petition, the petition for writ of certiorari should be denied.

5. The Court of Appeals' Reversal of the Summary Judgment Decision Must Be Sustained on Other Independent Grounds Separate from the Issues with Regard to Which There Are Asserted Conflicts.

Leading Supreme Court commentators have stated: "If it appears that upon a grant of certiorari the Supreme Court might be able to decide the case on another ground and thus not reach the point upon which there is conflict, the conflict itself may not be sufficient reason for granting review." R. STERN & E. GRESSMAN, SUPREME COURT PRACTICE 157 (4th ed. 1969).

Aside from and independent of the question of the standards for applicability of the experimental use exception, the reversal of the District Court's summary judgment decision must be sustained since the inventions were not on sale or in public use more than one

year prior to the date of invention and since the District Court misconstrued Canadian patent law, improperly weighed the factual evidence and disparaged the credibility of witnesses, denied Leesona the benefit of favorable factual inferences, and misapplied the local procedural rules as to the requisite specificity of controverting material facts on summary judgment motions.

In light of these alternative grounds for support of the Circuit Court's reversal of the District Court's summary judgment ruling, the issuance of a writ of certiorari would be inappropriate.

6. The Only Conceivable Doctrinal Conflict Created by the Opinion Below Is with Clearly Erroneous Dictum in a Ninth Circuit Opinion Which, If Applied in Our Case, Would Not Lead to a Different Result.

At most, the opinion below conflicts with the dictum in *Robbins Co. v. Lawrence Mfg. Co.*, 482 F.2d 426, 433 (9th Cir. 1973):[7]

> "A sale or offering for sale precludes any inquiry into the experimental nature of the sale *unless* the contract of sale or the offering for sale contains an express or clearly implied condition that the sale or offering is being made primarily for experimental use" (emphasis in original).

The Court below criticized this doctrinal statement:

> "In our view, such a rule merely lays a trap for the unwary. It could work injustice by preventing proof of a primarily experimental use merely because an inventor or his counsel had inadvertently neglected to include sufficient indication of experimentation within a sales contract or

[7] *Cf.* Micro-Magnetics Indus., Inc. v. Ardac, Inc., 488 F.2d 770 (9th Cir. 1973), *cert. denied*, 416 U.S. 940 (1974).

offer. We regard the rule as excessively rigid, and we expressly decline to adopt it. An inventor should be free to introduce evidence of a bona fide experimental intent even if that intent is not indicated within a contract of sale or offering." *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 287 (5th Cir. 1974). (App. A-27.)

In any event, the Court of Appeals' instant reversal of the District Court's summary judgment decision would stand even under the Robbins doctrinal approach. For the Permatwist-Synfoam agreement clearly implied that the purpose of the agreement was experimental. Thus, per *Robbins*, if the contract or offer "required that the invention should be kept confidential or from public view" (482 F.2d at 433), "the sale or offering would not ipso facto invalidate the patent nor preclude further inquiry into the experimental nature of the use . . ." (482 F.2d at 433). Under the agreement with Permatwist, Synfoam agreed "to use its best efforts and to take all reasonable precautions to insure secrecy of the invention pending the issue or refusal of patents in respect thereof." (R. 387.) [8]

[8] In addition, the Permatwist-Synfoam agreement contained several other provisions which are inconsistent with a sales agreement but are consistent with a joint developmental and experimental agreement. Thus, the Permatwist-Synfoam agreement provided a contractual right to Synfoam of first refusal should Permatwist ever "dispose of the invention or any patents issued in respect thereof. . . ." (R. 381). Permatwist was given the right to buy and remove the machines installed by Synfoam. (R. 385.) Synfoam was given a one-year "exclusive license" (R. 375) within the United States—the year to begin after "the successful operation of the first 1,000 of the improved spindles . . ." (R. 376) and the conditional right to a continued exclusive license. (R. 375-78.) Any profit resulting from the future sale of yarn produced on the false twist machines was to be split 50-50. (R. 368-71.)

Patently, when resolving all ambiguities and drawing all reasonable inferences favorable to the party against whom summary judgment is sought, the Permatwist-Synfoam agreement on its face must be read as clearly implying an experimental agreement.

Since, even under *Robbins'* doctrine, the Court of Appeals properly reversed the District Court's summary judgment, the petition for writ of certiorari should be denied.

CONCLUSION

For the reasons set forth above, Sauquoit's Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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